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ROLL NUMBER

DESCRIPTION

3062

2001 HOUSE FINANCE AND TAXATION

HCR 3062

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3062

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 28, 2001

Tape Number	Side A	Side B	Meter #
1	X		2,042
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing.

**REP. MERLE BOUCHER, DIST. 9,** Introduced the resolution as the prime sponsor. This resolution will call for a study of the high and rising costs of prescription drugs in the United States and particularly, North Dakota, and the inequitable pricing that exists here in the United States in comparison to the prices that might exist in neighboring countries and other localities in the world. I don't feel we have done enough to address this situation of prescription drugs and the high prices. I also hope within the course of this study, to take a look at what other states are doing to direct the high cost of prescription drugs in their states. Lines 12 through 15, I hope we do take a look at what is going on in other states. He mentioned several states that are also looking at addressing this in their states. This is an issue that people have campaigned on. It is incumbent upon us to take a look at this situation.

**REP. LLOYD** One of the big problems that I see which coincides with prescription drugs is, what I would consider the over prescription of drugs by the medical profession, especially for the elderly, but also for those disabled. We have had personal experience in both categories with my mom and my daughter. Many of these drugs they prescribe actually countereffect each other, and cause other problems. Is this going to be part of this study, or will this be narrowed down to price?

**REP. BOUCHER** Certainly, if we do a study, I think this study in itself is pretty wide open. The language in here talks more in terms of pricing and price structure, but, as a sponsor of this piece of legislation, I would have no problem with looking into the area you are talking about. This is an issue, I have had personal experience with.

**REP. SCHMIDT** You mentioned the North American Free Trade Act and the intent of the North American Free Trade Act, do you think the North American Free Trade Act is greater than Americans? I think it is, we have had the wheat problem go on the fifth year, and it hasn't been corrected yet, prescription drugs, harmonization, and they haven't corrected a thing. They had a bill in Congress to correct toilet issues, that didn't even pass, is the North American Free Trade Act bigger than Americans?

**REP. BOUCHER** That is an issue we can debate at length. If we are going to have NAFTA and the implimentation of the agreement, when it comes to prescription drugs, I think it should be universally patent. I think we could make big headway if we did that. It is interesting when you look at the labels of some of these drugs, the active ingredients in many drugs are the same, but you go to a different country, the drug has a different name, but the effect is the same.

**CAL ROLFSON, ATTY. REP. PHARMACEUTICAL RESEARCH AND**

**MANUFACTURERS OF AMERICA**, Testified in support of the resolution. PHARMA will certainly make themselves available for this study. I hope this is selected as one of the resolutions. I want to call your attention to SCR 4027, which is a companion bill, it does the same thing on the senate side. It also urges the study of drug issues, drug pricing and related issues. We have all experienced horror stories. I think when the study occurs, you will find some interesting aspects that relate to drugs. Gave an example of ulcer surgery years ago, and currently, there is no ulcer surgery anymore. I am here mainly, to offer PHARMA's help in this matter.

**GALEN JORDE, LOBBYIST AND EXECUTIVE DIRECTOR FOR THE NORTH**

**DAKOTA PHARMACEUTICAL ASSOCIATION**, Testified in support of the resolution. He stated they care about how pharmacists purchase the economics of what they do within the state, and some of the barriers that exist. The pricing is a little limited. We also need to look at those areas that Rep. Lloyd talked about. The important thing is, how do we make the citizens of North Dakota, and North Dakota as an entity, that pays for a lot of drugs through the medicaid program, how do we make our state better purchasers and better users of the medication.

**REP. KROEBER** What is your group's stand on universal labeling?

**GALEN JORDE** That is something that we really have not looked at throughout the international scene. We are seeing more and more of the drugs coming in here, which are used in the United States, which are manufactured in Europe. Many of the companies are multi-national. The universal labeling has been talked about a little bit. It is a ferocious undertaking because you have different countries, a lot of harmonization would have to take place.

**REP. LLOYD** How do you envision the FDA participating in a study like this. I am reading that they are starting to clamp down more and more on the actual manufacturing processes, the physical plants, they are stopping production, because the quality control is not quite in sync with what the Food and Drug Administration would like to see, how does that fit into this concept here?

**GALEN JORDE** I think the function of the Food and Drug Administration is to ensure that our drug products are used safely. Gave examples which happened recently, regarding a drug recall.

**REP. LLOYD** The second thing that concerns me is, some of the medium used on certain vaccines, carries parts of the cow brain, and most of these cow brains are from Europe, vaccines such as Anthrax, what are we going to do about issue as far as Mad Cow Disease?

**GALEN JORDE** I am starting to get beyond my realm. There have been some courts for that type of thing. There have been questions regarding, how do you protect for that type of thing.

**REP. HERBEL** What are some of the things some of the other states, which are listed, are doing?

**GALEN JORDE** Some of the things that are happening, like in the main RX program, it is a combination of programs where there is some public assistance, and by the same token, they try to capture the Canadian price. In other words, put into a system where that entity could not sell for more than what they are selling in Canada. A lot of these things are involved in litigation. Gave an example of the New Hampshire waiver for the elderly. It is in litigation, so we don't know how that turned out. In some instances they are trying to affect the prices the pharmacies charge as well. I don't think there have been any magic bullets.

**REP. HERBEL** Made a motion for a **DO PASS**.

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House Finance and Taxation Committee  
Bill/Resolution Number HCR 3062  
Hearing Date February 28, 2001

REP. KROEBER Second the motion. MOTION CARRIED BY VOICE VOTE AND  
WILL BE PLACED ON THE CONSENT CALENDAR.

REP. BRANDENBURG Was given the floor assignment.

Date: 2-28-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HCR 3062

House FINANCE & TAXATION Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken

Motion Made By

Do pass UNANIMOUS  
Rep. Herbel consent calendar  
Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN			NICHOLAS, EUGENE		
DROVDAL, DAVID, V-CHAIR			RENNER, DENNIS		
BRANDENBURG, MICHAEL			RENNERFELDT, EARL		
CLARK, BYRON			SCHMIDT, ARLO		
GROSZ, MICHAEL			WIKENHEISER, RAY		
HERBEL, GIL			WINRICH, LONNY		
KELSH, SCOT					
KROEBER, JOE					
LLOYD, EDWARD					

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Brandenburg

If the vote is on an amendment, briefly indicate intent:



REPORT OF STANDING COMMITTEE (410)  
February 28, 2001 1:21 p.m.

Module No: HR-34-4462  
Carrier: Brandenburg  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

HCR 3062: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **DO PASS** and **BE PLACED ON THE CONSENT CALENDAR** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3062 was placed on the Tenth order on the calendar.

2001 SENATE FINANCE AND TAXATION

HCR 3062

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 3062

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 3/13/01

Tape Number	Side A	Side B	Meter #
1	x		15,6-36,2
Committee Clerk Signature <i>Lyndell Y. Knight</i>			

Minutes:

Senator Urlacher: Opened the hearing on HCR 3062, directing the Legislative Council to study issues relating to the high and rising cost of prescription drugs in the US and inequitable prescription drug pricing in the US and possible methods of containing prescription drug costs. Senators Christmann and Stenehjem absent from the hearing.

Representative Merle Boucher: Co-sponsored the resolution, testified in support. Written testimony attached.

Senator Urlacher: I'm aware of the cost involved and I sympathize with very many people. Finding the solution is a problem for everyone. In regard to collaborating with the tri-state effort in Maine, are they looking at possibilities of buying from other countries?

Representative Merle Boucher: As I understand the process, they intent to is create buying pools to purchase quantities of prescription drugs, and in turn because they buy in a large quantity, that

allows them to pass the discount on to the customer. This is just one way to deal with it, I feel we need to take a look at a number of different options that are being tried around the country.

Senator Nichols: Is going to Canada difficult to do or is it restricted?

Representative Merle Boucher: From my own personal experience with my family, it doesn't appear to be too difficult.

Dave Zentner: Dept. of Human Services, testified in support. Written testimony attached.

Senator Nichols: When you're budgeting certain amounts and the actual costs are quite a bit greater, are you able to access those funds?

Dave Zentner: In this biennium, we have been able to barely scrape by because we saved dollars in other areas of the budget. We've been lucky in this case.

Senator Urlacher: Is the increase in costs driven by new drugs or increase in existing drugs?

Dave Zentner: Because of the research and development costs involved, new drugs tend to be very expensive. Plus, we're using more prescription drugs now. We see it in both. And there's a lot more advertising being done.

Senator Wardner: Does Canada have to consider research and development in their prices, why is it different?

Dave Zentner: As far as I understand, they have established price controls, which we don't have. Most of the companies do operate out of the US.

Senator Urlacher: With those controls, do they stall development of new drugs?

Dave Zentner: I really can't answer that.

Senator Urlacher: Is the cost of research and development attached to that specific drug, or is it spread over all sales of prescription drugs?

Dave Zentner: I think it's a combination of both.

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Senate Finance and Taxation Committee

Bill/Resolution Number 3062

Hearing Date 3/13/01

Senator Urlacher: Closed the hearing.

Discussion held later the same day.

COMMITTEE ACTION:

Motion made by Senator Wardner for a DO PASS & PLACED ON CONSENT

CALENDAR, Seconded by Senator Nichols. Voice vote taken. All in favor.

Date: 2/13/01  
Roll Call Vote #: 1

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 3062-**

Senate Finance and Taxation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS 's. Placed on Consent Calendar (Voice Vote)

Motion Made By Wardner Seconded By Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman					
Senator Wardner-Vice Chairman					
Senator Christmann					
Senator Stenehjem					
Senator Kroeplin					
Senator Nichols					

Total (Yes) 6 No 0

Absent 0

Floor Assignment Nichols

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 13, 2001 12:57 p.m.

Module No: SR-43-5471  
Carrier: Nichols  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HCR 3062: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).** HCR 3062 was placed on the Tenth order on the calendar.

2001 TESTIMONY

HCR 3062



TESTIMONY BEFORE THE SENATE FINANCE AND TAXATION COMMITTEE  
REGARDING HOUSE CONCURRENT RESOLUTION 3062  
MARCH 13, 2001

Chairman Urlacher, members of the committee, I am David Zentner, Director of Medical Services for the Department of Human Services. I appear before you to provide information and support this resolution.

The cost of prescription drugs in the Medicaid Program has increased dramatically over the past four years and is expected to continue their upward spiral with no foreseeable end in sight.

Drug expenditures for the 1997-99 biennium totaled \$47.1 million, of which \$12.3 million were general funds. This was 17.3% greater than the amount used to build the appropriation for that biennium. In the current biennium, the Department budgeted \$50.4 million, of which \$15 million are state funds for payment of drugs through the Medicaid Program. Our latest estimates indicate that we will actually expend \$63.5 million, of which \$18.9 million are state funds. This is 26% greater than the amount used to build the budget for this biennium.

We are anticipating that Medicaid drug expenditures in the next biennium will exceed \$80 million.

The Department has limited tools available to control drug costs at this time. We did propose to institute a prior authorization process to control costs. The bill that would have permitted this process was defeated in the House.

We believe that a study of drug pricing including the impact on the Medicaid Program is appropriate at this time and the Department supports a do pass on this resolution

I would be happy to answer any questions you may have.

## **TESTIMONY IN SUPPORT OF HCR3062**

### **Study Resolution on Prescription Drugs**

Senate Finance and Tax Committee

Senator Herb Urlacher, Chairman

March 13, 2001

Senator Urlacher, and members of the committee. My name is Merle Boucher Representative from District 9. I come before you today in support of HCR3062 a resolution to study the high and rising cost of prescription drugs, the inequities in pricing, and possible methods to contain their cost.

American consumers spent nearly \$100 billion on prescription drugs last year, more than double what the nation spent on drugs in 1990.(1) This financial burden felt by everyone: the insured, uninsured, Medicare recipients, and by the state in expenditures for Medicaid. The exorbitant costs of prescription drugs have left some individuals with pressing choices to eat and keep the house heated or be medicated. These pressures may also force individuals to not medicate properly causing more damage in the long term, and increasing cost.

Our nearest neighbors in Canada only spend 57 cents for every dollar we spend on prescription drugs yet they rank 7th in world health while the US is ranked at a mere 15th. In Canada, the General Accounting Office reported that prescription drugs in the US are priced 34% higher than our neighbor, and a similar differential exists with Mexico. American women fighting breast cancer are paying ten times more for the exact same product, Tamoxifen, in Canada. These discrepancies in price are not consistent with the intent of the North American Free Trade Act.

Several States have already introduced legislation to get this monster under control. Maine is collaborating in a tri-state effort to negotiate prices, and provide insurance coverage for prescription drugs. Indiana is looking at establishing a drug fund and has specifically addressed seniors in their initiative. These options only scratch the surface of what we may be able to do in North Dakota to provide relief. There is no need to wait for federal programs that may or may not specifically address our citizens needs.

It is time to take a comprehensive look at this issue, so we can take prudent action in the future to help everyone affected by increased and increasing drug costs.

Respectfully Submitted,

Merle Boucher